

WHITE CLOUD PUBLIC SCHOOLS
REPORT ON FINANCIAL STATEMENTS
JUNE 30, 2008

Baird, Cotter and Bishop, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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WHITE CLOUD PUBLIC SCHOOLS
WHITE CLOUD, MICHIGAN

ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2008

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July 24, 2008

INDEPENDENT AUDITORS' REPORT

To the Board of Education
White Cloud Public Schools
White Cloud, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of White Cloud Public Schools, White Cloud, Michigan, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the White Cloud Public Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of White Cloud Public Schools, White Cloud, Michigan, as of June 30, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 24, 2008, on our consideration of White Cloud Area Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages iii through x and 25, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the White Cloud Public Schools, White Cloud, Michigan basic financial statements. The combining and individual fund financial statements and other supplementary information are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

WHITE CLOUD PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2008

This section of White Cloud Public Schools' annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2008. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand White Cloud Public Schools financially as a whole. The *District-wide Financial Statements* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the district-wide financial statements by providing information about the School District's most significant funds - the General Fund, with all other funds presented in one column as nonmajor funds. The remaining statement, the statement of fiduciary net assets, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

Reporting the School District as a Whole - District-wide Financial Statements

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net assets and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the School District's net assets - the difference between assets and liabilities, as reported in the statement of net assets - as one way to measure the School District's financial health or financial position. Over time, increases or decreases in the School District's net assets - as reported in the statement of activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the school, to assess the overall health of the School District.

The statement of net assets and statement of activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, supporting services, community services, athletics, and food services. Property taxes, unrestricted State Aid (foundation allowance revenue), and State and federal grants finance most of these activities.

WHITE CLOUD PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2008

Reporting the School District's Most Significant Funds - Fund Financial Statements

The School District's fund financial statements provide detailed information about the most significant funds - not the School District as a whole. The governmental funds of the School District use the following accounting approach:

Governmental funds - All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in a reconciliation.

The School District as Trustee - Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for its student activity funds. All of the School District's fiduciary activities are reported in separate statements of fiduciary net assets. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The School District as a Whole

Recall that the statement of net assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets as of June 30, 2007 and 2008.

WHITE CLOUD PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2008

TABLE 1

| | <u>Governmental Activities</u> | |
|---|--------------------------------|--------------------------------|
| | <u>June 30,</u> <u>2007</u> | <u>June 30,</u> <u>2008</u> |
| Assets | | |
| Current assets | \$ 4,446,749 | \$ 4,705,834 |
| Capital assets - Net of accumulated depreciation | <u>21,304,564</u> | <u>20,530,508</u> |
| Total assets | <u>\$25,751,313</u> | <u>\$25,236,342</u> |
| Liabilities | | |
| Current liabilities | \$ 3,733,805 | \$ 4,178,672 |
| Long-term liabilities | <u>23,180,121</u> | <u>22,489,229</u> |
| Total liabilities | <u>\$26,913,926</u> | <u>\$26,667,901</u> |
| Net Assets | | |
| Invested in property and equipment - Net of related debt | \$ 1,258,539 | \$ 1,393,103 |
| Unrestricted - (Deficit) | <u>(2,421,152)</u> | <u>(2,824,662)</u> |
| Total net assets - (Deficit) | <u>\$ (1,162,613)</u> | <u>\$ (1,431,559)</u> |

The above analysis focuses on the net assets (see Table 1). The change in net assets (see Table 2) of the School District's governmental activities is discussed below. The School District's net assets were \$(1,431,559) at June 30, 2008. Capital assets, net of related debt totaling \$1,393,103 compares the original cost, less depreciation of the School District's capital assets to long-term debt used to finance the acquisition of those assets. The debt will be repaid from voter-approved property taxes collected as the debt service comes due. The remaining amount of net assets, totaling a deficit of \$(2,824,662) was unrestricted.

The \$(2,824,662) in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year, as well as amounts borrowed from the School Bond Loan Fund.

The results of this year's operations for the School District as a whole are reported in the statement of activities (see Table 2), which shows the changes in net assets for fiscal year 2007 and 2008.

WHITE CLOUD PUBLIC SCHOOLS

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2008

TABLE 2

| | <u>Governmental Activities</u> | |
|--|--------------------------------|--------------------------------|
| | <u>June 30,</u> <u>2007</u> | <u>June 30,</u> <u>2008</u> |
| Revenue | | |
| Program revenue: | | |
| Charges for Services | \$ 282,005 | \$ 302,272 |
| Grants and Categoricals | 2,357,906 | 2,355,949 |
| General Revenue: | | |
| Property taxes - Levied for General Purposes | 1,330,392 | 1,450,068 |
| Property taxes - Levied for Debt Service | 1,306,517 | 1,388,470 |
| Investment Earnings | 77,509 | 72,342 |
| State Sources | 7,256,885 | 6,991,906 |
| Other | 249,697 | 220,401 |
| Total revenue | <u>12,860,911</u> | <u>12,781,408</u> |
| Function/Program Expense | | |
| Instruction | 7,089,902 | 6,849,619 |
| Supporting services | 3,384,154 | 3,545,686 |
| Food services | 558,919 | 616,208 |
| Athletic activities | 198,896 | 188,340 |
| Interest on long-term debt | 942,860 | 977,913 |
| Other transactions | 81,322 | 64,442 |
| Unallocated Depreciation | 823,882 | 808,146 |
| Total expenses | <u>13,079,935</u> | <u>13,050,354</u> |
| Decrease in Net Assets | <u>\$ (219,024)</u> | <u>\$ (268,946)</u> |

As reported in the statement of activities, the cost of all of our governmental activities this year was \$13,050,354. Certain activities were partially funded from those who benefited from the programs. \$302,272 was paid for with charges for services. Other governments and organizations subsidized certain programs with grants and categoricals in the amount of \$2,355,949. We paid for the remaining "public benefit" portion of our governmental activities with \$2,838,538 in taxes, \$6,991,906 in State sources and with our other revenues, such as interest and general entitlements.

The School District experienced a decrease in net assets of \$268,946. Key reasons for the change in net assets were depreciation on capital assets and the borrowing from the School Bond Loan Fund in order to make our required payment of bond principal and interest because our bond principal and interest payments were more than the maximum we were allowed to levy from our debt millage. The decrease in net assets differs from the change in fund balance and a reconciliation appears on page 6.

WHITE CLOUD PUBLIC SCHOOLS

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2008

As discussed above, the net cost shows the financial burden that was placed on the School and the School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted State aid constitute the vast majority of School District operating revenue sources, the Board of Education and Administration must annually evaluate the needs of the School District and balance those needs with State-prescribed available unrestricted resources.

The School District's Funds

As we noted earlier, the School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the School District's overall financial health.

As the School District completed this year, the governmental funds reported a combined fund balance of \$1,746,376, which is a decrease of \$120,685 from last year. In the General Fund, our principal operating fund, the fund balance decreased \$97,172 to \$720,613.

- Our Special Revenue Funds decreased by a total of \$33,655 for the year.
- Combined, the Debt Service Funds showed a fund balance increase of \$10,142. Millage rates are at the State imposed maximum of 8.25 mills. Millage rates will continue to be levied at the maximum allowed by law for many more years. In addition to this property tax levy, the District will continue to borrow from the State of Michigan through the School Bond Loan Fund in order to accumulate sufficient resources to pay annual bond issue-related debt service. Debt Service Funds fund balances are reserved since they can only be used to pay debt service obligations.

General Fund Budgetary Highlights

Over the course of the year, the School District revises its budget as it attempts to deal with changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements. Changes to the General Fund original budget were as follows:

- Budgeted revenues were increased \$208,951 in large part to account for an increase in anticipated local source funding.
- Budgeted expenditures were decreased \$72,802 to recognize the effect of certain cost cutting measures.
- There are not significant variances between the final budget and actual amounts.

WHITE CLOUD PUBLIC SCHOOLS

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2008

Capital Asset and Debt Administration

Capital Assets

At June 30, 2008, the School District had \$28,763,242 invested in a broad range of capital assets. This amount represents a net decrease (including additions and disposals) of approximately \$121,565.

| | Balance July 1, 2007 | Additions | Deletions | Balance June 30, 2008 |
|------------------------------|-------------------------|--------------|-----------|--------------------------|
| Assets not being depreciated | | | | |
| Land | \$ 177,656 | \$ 0 | \$ 0 | \$ 177,656 |
| Other capital assets: | | | | |
| Land improvements | 754,923 | 0 | 0 | 754,923 |
| Buildings and additions | 20,445,343 | 0 | 0 | 20,445,343 |
| Furniture and equipment | 5,420,107 | 25,022 | 30,720 | 5,414,409 |
| Textbooks and library books | 382,782 | 9,068 | 124,935 | 266,915 |
| Other vehicles | 119,366 | 0 | 0 | 119,366 |
| Buses | 1,584,630 | 0 | 0 | 1,584,630 |
| Subtotal | 28,707,151 | 34,090 | 155,655 | 28,585,586 |
| Accumulated depreciation | (7,580,243) | (808,146) | (155,655) | (8,232,734) |
| Net other capital assets | 21,126,908 | (774,056) | 0 | 20,352,852 |
| Net capital assets | \$ 21,304,564 | \$ (774,056) | \$ 0 | \$ 20,530,508 |

The year's additions were \$34,090.

Long-term Debt

At the end of this year, the School District had \$23,764,151 in long-term debt outstanding versus \$24,569,568 in the previous year. The majority of this debt consists of bonds payable of \$19,668,106.

The School District's Bond rating continues to be equivalent to the State's credit rating. The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. If the School District issues "qualified debt," i.e., debt backed by the State of Michigan, such obligations are not subject to this debt limit. The School District's outstanding unqualified general obligation debt is significantly below the statutorily imposed limit.

Other obligations include amounts borrowed from the School Bond Loan Fund of \$3,036,784, employee compensated absences and retirement contracts estimated at \$923,794 and other smaller amounts of obligations such as contracts payable and accrued interest on various debt.

WHITE CLOUD PUBLIC SCHOOLS

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2008

Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration consider many factors when setting the School District's 2008-2009 fiscal year budget. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2008-2009 fiscal year is 25 percent and 75 percent of the February 2008 and September 2008 student counts, respectively. The 2008-2009 fiscal year budget was adopted in June 2008, based on an estimate of students that will be enrolled in September 2008. Under State law, the School District cannot assess additional property tax revenue for general operations. As a result, district funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2008-2009 school year, we anticipate that the fall student count will be close to the estimates used in creating the 2008-2009 fiscal year budget. Once the final student count and related per pupil funding is validated, State law requires the School District to amend the budget if actual district resources are not sufficient to fund original appropriations.

Since the School District's revenue is heavily dependent on State funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to school districts.

- As with other employers, the District continues to face a rapid increase in rates paid for employee benefits, particularly for health insurance. Also, the number of state-wide school district employees projected to retire over the next few years is resulting in the potential for higher annual retirement rates.
- Employee wages and related fringe benefits represent approximately 80-90% of the District's total General Fund expenditures, staffing levels will have a significant impact on the near-term future of the District.
- At June 30, 2008, contracts expired and are currently in negotiation. The outcome of the negotiations could greatly affect the future of the District.
- Utility costs have increased significantly over the past several years. Our expectation is that this trend will continue in the future. These increases put pressure on an already tight budget, and the District continues to explore methods in an attempt to control these costs.
- With the current economic condition in the State of Michigan, uncertainty surrounds the level at which districts will be funded for the student foundation allowance for the 2008-2009 fiscal year. It is statistically difficult to calculate future declining enrollment due to an increasing number of students moving out of the district. The continued declining enrollment will pose a challenge to the District to maintain structural balance while continuing with its educational programming.
- The State continues to increase its focus on student academic achievement. Results of standardized test scores (Michigan Educational Assessment Program) are compared from year to year with the results tabulated by school building and by district. With the changes to the federal Title I legislation resulting from the No Child Left Behind Act, adequate yearly progress of students will become important for maintaining and increasing funding levels as portions of funding are now tied to it.

WHITE CLOUD PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2008

Contacting the School District's Financial Management

This financial report is designed to provide the School District's citizens, taxpayers, customers, and investors and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Department, 555 Wilcox Street, White Cloud, Michigan 49349.

WHITE CLOUD PUBLIC SCHOOLS

WHITE CLOUD, MICHIGAN

STATEMENT OF NET ASSETS

JUNE 30, 2008

ASSETS

| | <u>GOVERNMENTAL ACTIVITIES</u> |
|-----------------------------------|------------------------------------|
| <u>CURRENT ASSETS</u> | |
| Cash | \$ 1,383,274 |
| Taxes Receivable | 35,245 |
| Accounts Receivable | 59,867 |
| Due from Other Governmental Units | 1,527,994 |
| Prepaid Expenses | 20,132 |
| Inventory | 19,561 |
| Investments | 1,659,761 |
| Total Current Assets | <u>4,705,834</u> |
| <u>NON CURRENT ASSETS</u> | |
| Capital Assets | 28,763,242 |
| Less Accumulated Depreciation | <u>(8,232,734)</u> |
| Total Non Current Assets | <u>20,530,508</u> |
| TOTAL ASSETS | <u><u>\$ 25,236,342</u></u> |

LIABILITIES AND NET ASSETS

| | |
|---|-----------------------------|
| <u>CURRENT LIABILITIES</u> | |
| Accounts Payable | \$ 233,978 |
| Accrued Expenses | 417,130 |
| Accrued Interest Payable | 142,125 |
| Due to Other Governmental Units | 340,813 |
| Deferred Revenue | 38,072 |
| Salaries Payable | 748,882 |
| State Aid Anticipation Note | 1,171,000 |
| Current Portion of Non Current Liabilities | <u>1,086,672</u> |
| Total Current Liabilities | <u>4,178,672</u> |
| <u>NON CURRENT LIABILITIES</u> | |
| Bonds Payable (Net of Deferred Charges) | 19,001,938 |
| School Bond Loan Fund Loan | 3,036,784 |
| Contracts Payable | 135,467 |
| Compensated Absences and Retirement Contracts | 923,794 |
| Accrued Interest on School Bond Loan Fund | 477,918 |
| Less Current Portion of Non Current Liabilities | <u>(1,086,672)</u> |
| Total Non Current Liabilities | <u>22,489,229</u> |
| Total Liabilities | <u>26,667,901</u> |
| <u>NET ASSETS</u> | |
| Invested in Capital Assets Net of Related Debt | 1,393,103 |
| Unrestricted - (Deficit) | <u>(2,824,662)</u> |
| Total Net Assets - (Deficit) | <u>(1,431,559)</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u><u>\$ 25,236,342</u></u> |

The notes to the financial statements are an integral part of this statement.

WHITE CLOUD PUBLIC SCHOOLS
WHITE CLOUD, MICHIGAN

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2008

| FUNCTIONS/PROGRAMS | EXPENSES | PROGRAM REVENUES | | GOVERNMENTAL |
|---|---------------------|-------------------------|---------------------|---|
| | | CHARGES FOR SERVICES | OPERATING GRANTS | ACTIVITIES |
| | | | | NET (EXPENSES) REVENUES AND CHANGE IN NET ASSETS |
| <u>GOVERNMENTAL ACTIVITIES</u> | | | | |
| Instruction | \$ 6,849,619 | \$ 2,520 | \$ 1,834,780 | \$ (5,012,319) |
| Supporting Services | 3,545,686 | 60,962 | 107,220 | (3,377,504) |
| Food Service | 616,208 | 210,864 | 402,567 | (2,777) |
| Athletic Activities | 188,340 | 27,926 | 0 | (160,414) |
| Interest on Long Term Debt | 977,913 | 0 | 0 | (977,913) |
| Other Transactions | 64,442 | 0 | 11,382 | (53,060) |
| Unallocated Depreciation | 808,146 | 0 | 0 | (808,146) |
| Total Governmental Activities | <u>\$13,050,354</u> | <u>\$ 302,272</u> | <u>\$ 2,355,949</u> | <u>(10,392,133)</u> |
| <u>GENERAL REVENUES</u> | | | | |
| Property Taxes - Levied for General Purposes | | | | 1,450,068 |
| Property Taxes - Levied for Debt Service | | | | 1,388,470 |
| Investment Earnings | | | | 72,342 |
| State Sources | | | | 6,991,906 |
| Other | | | | 220,401 |
| Total General Revenues | | | | <u>10,123,187</u> |
| Change in Net Assets | | | | (268,946) |
| <u>NET ASSETS</u> - Beginning of Year - (Deficit) | | | | <u>(1,162,613)</u> |
| <u>NET ASSETS</u> - End of Year - (Deficit) | | | | \$ (1,431,559) |

The notes to the financial statements are an integral part of this statement.

WHITE CLOUD PUBLIC SCHOOLS
WHITE CLOUD, MICHIGAN

BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2008

| | GENERAL FUND | OTHER NONMAJOR GOVERNMENTAL FUNDS | TOTAL GOVERNMENTAL FUNDS |
|--|---------------------|--|--------------------------------|
| <u>ASSETS</u> | | | |
| Cash | \$ 512,432 | \$ 870,842 | \$ 1,383,274 |
| Taxes Receivable | 19,999 | 15,246 | 35,245 |
| Accounts Receivable | 59,142 | 725 | 59,867 |
| Due from Other Funds | 0 | 170,196 | 170,196 |
| Due from Other Governmental Units | 1,527,118 | 876 | 1,527,994 |
| Prepaid Expenditures | 20,132 | 0 | 20,132 |
| Inventory | 0 | 19,561 | 19,561 |
| Investments | 1,659,761 | 0 | 1,659,761 |
| TOTAL ASSETS | \$ 3,798,584 | \$ 1,077,446 | \$ 4,876,030 |
| <u>LIABILITIES AND FUND BALANCES</u> | | | |
| <u>LIABILITIES</u> | | | |
| Accounts Payable | \$ 194,582 | \$ 39,396 | \$ 233,978 |
| Due to Other Funds | 159,552 | 10,644 | 170,196 |
| Due to Other Governmental Units | 339,170 | 1,643 | 340,813 |
| State Aid Anticipation Note | 1,171,000 | 0 | 1,171,000 |
| Salaries Payable | 748,882 | 0 | 748,882 |
| Accrued Expenses | 417,130 | 0 | 417,130 |
| Deferred Revenue | 47,655 | 0 | 47,655 |
| Total Liabilities | 3,077,971 | 51,683 | 3,129,654 |
| <u>FUND BALANCES</u> | | | |
| Reserved for Inventory, Special Revenue Fund | 0 | 19,561 | 19,561 |
| Reserved for Debt Service, Debt Service Fund | 0 | 828,038 | 828,038 |
| Reserved for Prepaid Expenditures, General Fund | 20,132 | 0 | 20,132 |
| Designated for Special Purposes, General, Special Revenue Funds | 103,403 | 178,164 | 281,567 |
| Unreserved, Undesignated | 597,078 | 0 | 597,078 |
| Total Fund Balances | 720,613 | 1,025,763 | 1,746,376 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 3,798,584 | \$ 1,077,446 | \$ 4,876,030 |

The notes to the financial statements are an integral part of this statement.

WHITE CLOUD PUBLIC SCHOOLS
WHITE CLOUD, MICHIGAN

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO NET ASSETS

JUNE 30, 2008

| | |
|---|-------------------------------|
| Total Governmental Fund Balances | \$ 1,746,376 |
| Amounts reported for governmental activities in the statement of net assets are different because: | |
| Capital assets used in governmental activities are not financial resources and are not reported in the funds. | |
| The cost of the capital assets is | \$ 28,763,242 |
| Accumulated depreciation is | <u>(8,232,734)</u> 20,530,508 |
| Long term liabilities are not due and payable in the current period and are not reported in the funds. | |
| Bonds Payable | (19,668,106) |
| School Bond Loan Fund Loan | (3,036,784) |
| Compensated Absences and Retirement Contracts | (923,794) |
| Contracts Payable | (135,467) |
| Accrued interest is not included as a liability in governmental funds, it is recorded when paid. | (620,043) |
| Bond discounts and issuance costs for bonds issued after June 30, 2002, are expenditures at the modified accrual fund level, but are capitalized and written off over the life of the bonds payable at the district wide full accrual | 666,168 |
| Balance of taxes receivable at June 30, 2008, expected to be collected after September 1, 2008. | <u>9,583</u> |
| NET ASSETS OF GOVERNMENTAL ACTIVITIES - (DEFICIT) | <u><u>\$ (1,431,559)</u></u> |

The notes to the financial statements are an integral part of this statement.

WHITE CLOUD PUBLIC SCHOOLS
WHITE CLOUD, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2008

| | GENERAL FUND | OTHER NONMAJOR GOVERNMENTAL FUNDS | TOTAL GOVERNMENTAL FUNDS |
|--|-------------------|--|--------------------------------|
| <u>REVENUES</u> | | | |
| Local Sources | \$ 1,749,080 | \$ 1,642,410 | \$ 3,391,490 |
| State Sources | 7,867,675 | 36,667 | 7,904,342 |
| Federal Sources | 968,924 | 365,900 | 1,334,824 |
| Other Transactions | 150,752 | 0 | 150,752 |
| Total Revenues | <u>10,736,431</u> | <u>2,044,977</u> | <u>12,781,408</u> |
| <u>EXPENDITURES</u> | | | |
| Instruction | | | |
| Basic Programs | 4,877,638 | 0 | 4,877,638 |
| Added Needs | 2,083,025 | 0 | 2,083,025 |
| Supporting Services | | | |
| Pupil | 506,379 | 0 | 506,379 |
| Instructional Staff | 87,943 | 0 | 87,943 |
| General Administration | 332,223 | 0 | 332,223 |
| School Administration | 571,832 | 0 | 571,832 |
| Business | 211,231 | 0 | 211,231 |
| Operation and Maintenance of Plant | 868,907 | 0 | 868,907 |
| Pupil Transportation Services | 798,715 | 0 | 798,715 |
| Support Service Technology | 166,469 | 0 | 166,469 |
| Food Service | 0 | 616,036 | 616,036 |
| Athletic Activities | 0 | 188,340 | 188,340 |
| Debt Service | | | |
| Principal | 0 | 775,000 | 775,000 |
| Interest and Fiscal Charges | 0 | 833,843 | 833,843 |
| Other Transactions | 200,183 | 0 | 200,183 |
| Total Expenditures | <u>10,704,545</u> | <u>2,413,219</u> | <u>13,117,764</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>31,886</u> | <u>(368,242)</u> | <u>(336,356)</u> |
| <u>OTHER FINANCING SOURCES (USES)</u> | | | |
| Transfers In (Out) | (129,058) | 129,058 | 0 |
| Loan Proceeds | 0 | 215,671 | 215,671 |
| Total Other Financing Sources (Uses) | <u>(129,058)</u> | <u>344,729</u> | <u>215,671</u> |
| Net Change in Fund Balance | (97,172) | (23,513) | (120,685) |
| <u>FUND BALANCE</u> - Beginning of Year | <u>817,785</u> | <u>1,049,276</u> | <u>1,867,061</u> |
| <u>FUND BALANCE</u> - End of Year | <u>\$ 720,613</u> | <u>\$ 1,025,763</u> | <u>\$ 1,746,376</u> |

The notes to the financial statements are an integral part of this statement.

WHITE CLOUD PUBLIC SCHOOLS
WHITE CLOUD, MICHIGAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2008

| | |
|--|--------------|
| Net Change in Fund Balances Total Governmental Funds | \$ (120,685) |
|--|--------------|

Amounts reported for governmental activities are different because:

Governmental funds report capital outlay as expenditures. In the statement of activities, these costs are allocated over their estimated useful lives as depreciation.

| | |
|----------------------|-----------|
| Depreciation Expense | (808,146) |
| Capital Outlay | 34,090 |

Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:

| | |
|--|-----------|
| Accrued Interest Payable - Beginning of Year | 478,094 |
| Accrued Interest Payable - End of Year | (620,043) |

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis of accounting, expenses and liabilities are reported regardless of when financial resources are available.

| | |
|---|-----------|
| School Bond Loan Fund Proceeds | (215,671) |
| Repayment of bond principal | 855,000 |
| Principal Paid on Long-Term Debt | 91,293 |
| Bond Discount and Issuance Costs Amortization | (37,673) |

Accumulated Sick Pay and Retirement Buyout is reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:

| | |
|--|------------------|
| Accumulated Sick Pay - Beginning of Year | 856,181 |
| Accumulated Sick Pay - End of Year | (816,930) |
| Retirement Buyout - Beginning of Year | 142,408 |
| Retirement Buyout - End of Year | <u>(106,864)</u> |

| | |
|---|---------------------|
| CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES | <u>\$ (268,946)</u> |
|---|---------------------|

The notes to the financial statements are an integral part of this statement.

WHITE CLOUD PUBLIC SCHOOLS
WHITE CLOUD, MICHIGAN

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

JUNE 30, 2008

| | <u>AGENCY FUNDS</u> |
|-----------------------------------|-------------------------|
| | |
| <u>ASSETS</u> | |
| Cash | <u>\$ 62,758</u> |
| | |
| <u>LIABILITIES AND NET ASSETS</u> | |
| | |
| <u>LIABILITIES</u> | |
| Due to Groups and Organizations | \$ 62,758 |
| | |
| <u>NET ASSETS</u> | <u>0</u> |
| | |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 62,758</u> |

The notes to the financial statements are an integral part of this statement.

WHITE CLOUD PUBLIC SCHOOLS
WHITE CLOUD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the White Cloud Public Schools have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Reporting Entity

The School District is located in Newaygo County with its administrative offices located in White Cloud, Michigan. The District operates under an elected 7-member board of education and provides services to its 1,214 students in elementary, middle school, high school, special education instruction, guidance, health, transportation, food service, and athletics. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the generally accepted accounting principles. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statement No. 14.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges paid by recipients who purchase, use or directly benefit from goods or services by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenues but instead as *general revenues*.

In the government-wide statement of net assets, the governmental activities column is presented on a consolidated basis, and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

WHITE CLOUD PUBLIC SCHOOLS
WHITE CLOUD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

The District first utilizes restricted resources to finance qualifying activities. The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, and charges, etc.). The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources, intermediate district sources, interest income and other revenues).

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental Funds - Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use and balances of the school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The District reports the following major governmental fund:

The *GENERAL FUND* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

Other Non-major Funds

The *SPECIAL REVENUE FUNDS* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service, and athletic activities in the special revenue funds.

The *DEBT RETIREMENT FUNDS* account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Fiduciary funds

Fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

WHITE CLOUD PUBLIC SCHOOLS
WHITE CLOUD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

The AGENCY FUND is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

C. Measurement Focus, Basis of Accounting and Basis of Presentation

Accrual Method

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Modified Accrual Method

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

State Revenue

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2008, the foundation allowance was based on pupil membership counts taken in February and September of 2007. For fiscal year ended June 30, 2008, the per pupil foundation allowance was \$7,204 for White Cloud Public Schools.

WHITE CLOUD PUBLIC SCHOOLS
WHITE CLOUD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October 2007 to August 2008. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

D. Other Accounting Policies

1. Cash and Investments

Cash includes amounts in demand deposits.

Investments are carried at market value.

State statutes authorize the School District to invest in funds as follows:

- (a) Bonds, bills, or notes of the United States, or obligations, the principal and interest of which are fully guaranteed by the United States Government.
- (b) Certificates of deposit issued by a state or national bank, savings accounts of a state or federal savings and loan association, or certificates of deposit or share certificates of a state or federal credit union organized and authorized to operate in this state.
- (c) Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
- (d) Securities issued or guaranteed by agencies or instrumentalities of the United States.
- (e) United States government or federal agency obligation repurchase agreements.
- (f) Bankers' acceptances issued by a bank that is a member of the Federal Deposit Insurance Corporation (FDIC).
- (g) Mutual funds composed entirely of investment vehicles that are legal for direct investment by a school district.

WHITE CLOUD PUBLIC SCHOOLS
WHITE CLOUD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

- (h) Investment pools, as authorized by the Surplus Funds Investment Pool Act, Act No. 367 of the Public Acts of 1982, being sections 129.111 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a school district.

The School's deposits and investments are held separately by several of the School District's funds.

2. Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables/payables".

3. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are assessed as of January 1 and are billed as of December 1. The due date is February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity. Property taxes are recognized as revenue to the extent that they represent current receivables at year end.

For the year ended June 30, 2008, the District levied the following amounts per \$1,000 of taxable valuation:

| Fund | Mills |
|---|--------|
| General Fund - Non-homestead | 18.000 |
| 2003 Refunding Debt Retirement Fund - Homestead and non-homestead | 0.858 |
| 2000 Refunding Debt Retirement Fund - Homestead and non-homestead | 3.317 |
| 2001 Series A Debt Retirement Fund - Homestead and non-homestead | 2.283 |
| 2001 Series B Debt Retirement Fund - Homestead and non-homestead | 0.270 |
| 2005 Refunding Debt Retirement Fund - Homestead and non-homestead | 1.253 |
| 2006 Refunding Debt Retirement Fund - Homestead and non-homestead | 0.269 |

4. Inventories and Prepaid Expenditures

Inventory is valued at cost. In the General Fund, the School District considers all supplies to be consumed when acquired and any inventories on hand are considered to be immaterial. The food service inventory consists of U.S.D.A. commodities and other food products held for consumption. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures.

WHITE CLOUD PUBLIC SCHOOLS
WHITE CLOUD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

5. Capital Assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated capital assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the estimated useful life of the improvements. Land is not depreciated and construction in progress is not depreciated until the underlying assets are placed in service upon completion of the project. At that time, the asset costs are reclassified out of construction in progress and into the appropriate depreciable category.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

| | |
|---------------------------------------|-------------|
| Buildings, additions and improvements | 20-50 years |
| Furniture, vehicles and equipment | 5-15 years |

The District's capitalization policy is to capitalize individual amounts exceeding \$5,000 and aggregate purchases of similar items purchased at the same time, such as textbooks for a classroom.

6. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. The District has opted to apply the provisions of GASB 34 paragraph 146 which allows the amortization of premiums, discounts and bond issuance costs to be applied prospectively for all bonds issued after July 1, 2002.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

7. Fund Balance

In the fund financial statements, the unreserved fund balances for governmental funds represent the amount available for budgeting future operations. Reservations of fund balance are for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

WHITE CLOUD PUBLIC SCHOOLS
WHITE CLOUD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

8. Use of Estimates

The process of preparing basic financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general, special revenue, and debt funds.

Encumbrance accounting is employed in governmental funds. Encumbrance accounting (e.g., purchase orders, contracts) lapse at year-end and do not constitute expenditures or liabilities because the commitments will generally be reappropriated and honored during the subsequent year.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The business manager submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
 2. Public hearings are conducted to obtain taxpayer comments.
 3. Prior to July 1, the budget is legally adopted by the School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financial sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated.
-
1. The business manager is charged with general supervision of the budgets and shall hold the department heads responsible for performance of their budgetary responsibilities.
 2. During the year the budgets are monitored and amendments to the budget resolution are made when it is deemed necessary.

WHITE CLOUD PUBLIC SCHOOLS
WHITE CLOUD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

3. Budgeted amounts are as originally adopted on June 25, 2007, or as amended by the School Board of Education on February 18, 2008, and June 23, 2008.

NOTE 3 - DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

The District's deposits and investments are all on deposit with Independent Bank - West Michigan and Michigan School District Liquid Asset Fund Plus.

Investment rate risk. The District will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investing pools and limiting the average maturity in accordance with the District's cash requirement.

Foreign currency risk. The District is not authorized to invest in investments, which have this type of risk.

Credit risk. The District will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in the District's investment policy; and pre-qualifying the financial institutions, brokers/dealer, intermediaries and advisors with which the District will do business in accordance with the District's investment policy.

Concentration of credit risk. The District will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the district's deposits may not be returned to it. As of June 30, 2008, \$837,167 of the district's bank balance of \$1,461,581 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investments are categorized to give an indication of the level of risk assumed by the District at year end. Category 1 includes investments that are insured or registered, or securities held by the District or the District's agent in the District's name. Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty's trust department or its agent in the District's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its

WHITE CLOUD PUBLIC SCHOOLS
WHITE CLOUD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

trust department or its agent but not in the District's name. At year end, all of the District's investments were uncategorized as to risk.

Balance sheet classifications:

| | Statement of Net Assets | Statement of Fiduciary Net Assets | Total |
|------------------------|----------------------------|---|---------------------|
| Cash | \$ 1,383,274 | \$ 62,758 | \$ 1,446,032 |
| Investment Trust Funds | 1,659,761 | 0 | 1,659,761 |
| | <u>\$ 3,043,035</u> | <u>\$ 62,758</u> | <u>\$ 3,105,793</u> |

The District invests certain excess funds in the Michigan Liquid Asset Fund (MILAF). MILAF is an external pooled investment fund of "qualified" investments for Michigan school districts. MILAF is not regulated nor is it registered with the SEC. MILAF reports that as of June 30, 2008, the fair value of the District's investments is the same as the value of the pool shares.

B. Receivables

Receivables as of year end for the government's individual major funds and nonmajor, and fiduciary funds in the aggregate; including the applicable allowances for uncollectible accounts, are as follows:

| | General | Nonmajor and Other Funds | Total |
|----------------------------|---------------------|--------------------------------|---------------------|
| Receivables | | | |
| Taxes | \$ 19,999 | \$ 15,246 | \$ 35,245 |
| Accounts | 59,142 | 725 | 59,867 |
| Due from Other Governments | 1,527,118 | 876 | 1,527,994 |
| Total Receivables | <u>\$ 1,606,259</u> | <u>\$ 16,847</u> | <u>\$ 1,623,106</u> |

The allowance for doubtful accounts is not considered to be material for disclosure.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

WHITE CLOUD PUBLIC SCHOOLS
WHITE CLOUD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

| | | |
|---|-------------|-----------|
| Property Taxes | Unavailable | Unearned |
| Grant Receipts Received, But Not Yet Utilized | \$ 9,583 | \$ 0 |
| | 0 | 38,072 |
| Total | \$ 9,583 | \$ 38,072 |

C. Capital Assets

A summary of changes in the District's capital assets follows:

| | Balance July 1, 2007 | Additions | Deletions | Balance June 30, 2008 |
|------------------------------------|-------------------------|--------------|-----------|--------------------------|
| Assets not being depreciated | | | | |
| Land | \$ 177,656 | \$ 0 | \$ 0 | \$ 177,656 |
| Other capital assets: | | | | |
| Land Improvements | 754,923 | 0 | 0 | 754,923 |
| Buildings and Additions | 20,445,343 | 0 | 0 | 20,445,343 |
| Furniture and Equipment | 5,420,107 | 25,022 | 30,720 | 5,414,409 |
| Textbooks and Library Books | 382,782 | 9,068 | 124,935 | 266,915 |
| Other Vehicles | 119,366 | 0 | | 119,366 |
| Buses | 1,584,630 | 0 | 0 | 1,584,630 |
| Subtotal | 28,707,151 | 34,090 | 155,655 | 28,585,586 |
| Less Accumulated Depreciation for: | | | | |
| Land Improvements | 268,175 | 27,588 | 0 | 295,763 |
| Buildings and Additions | 3,100,344 | 349,529 | 0 | 3,449,873 |
| Furniture and Equipment | 2,702,485 | 277,691 | 30,720 | 2,949,456 |
| Textbooks and Library Books | 273,979 | 37,912 | 124,935 | 186,956 |
| Other Vehicles | 104,393 | 6,503 | 0 | 110,896 |
| Buses | 1,130,867 | 108,923 | 0 | 1,239,790 |
| Accumulated depreciation | 7,580,243 | 808,146 | 155,655 | 8,232,734 |
| Net other capital assets | 21,126,908 | (774,056) | 0 | 20,352,852 |
| Net capital assets | \$ 21,304,564 | \$ (774,056) | \$ 0 | \$ 20,530,508 |

Depreciation for the fiscal year ended June 30, 2008, amounted to \$808,146. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

D. Short-Term Debt

On August 20, 2007, the District issued a State Aid Note in the amount of \$1,171,000. The note matures on August 20, 2008, with interest at 3.68%. The District has pledged its future State Aid

WHITE CLOUD PUBLIC SCHOOLS
WHITE CLOUD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

revenue for payment of this liability at maturity. On August 20, 2007, the District repaid the prior year state aid borrowing of \$940,000 plus interest. Interest expense for the year ended June 30, 2008, was \$41,476 for this obligation.

E. Long-Term Debt

The District issues general obligation bonds to provide funds for the acquisition, construction and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District.

The following is a summary of the long-term debt transactions for the School District for the year ended June 30, 2008:

| | SCHOOL BOND LOAN FUND LOAN | BUS LOANS | BONDS | ACCUMULATED UNPAID COMPENSATED ABSENCES AND RETIREMENT CONTRACTS | TOTAL |
|-----------------------|--|------------------|---------------------|---|---------------------|
| Debt Payable at | | | | | |
| Beginning of Year | \$ 2,821,113 | \$226,760 | \$20,523,106 | \$ 998,589 | \$24,569,568 |
| Increase in Debt | 215,671 | 0 | 0 | 32,249 | 247,920 |
| Debt Retired | 0 | (91,293) | (855,000) | (107,044) | (1,053,337) |
| DEBT PAYABLE | | | | | |
| END OF YEAR | 3,036,784 | 135,467 | 19,668,106 | 923,794 | 23,764,151 |
| Less Current Portion | 0 | 94,921 | 914,469 | 77,282 | 1,086,672 |
| Net Long-Term DEBT | <u>\$ 3,036,784</u> | <u>\$ 40,546</u> | <u>\$18,753,637</u> | <u>\$ 846,512</u> | <u>\$22,677,479</u> |

At June 30, 2008, the School's general long-term debt consisted of the following issues:

School Bond Loan Fund loan beginning April 26, 2002. This is a loan from the State of Michigan pursuant to P.A. 108 of 1961. The District's debt retirement millage is limited to 8.25 mills. As long as the tax revenue from this millage is insufficient to make current debt service payments on the District's bonds, additional loans can be obtained in amounts sufficient to make bond and interest payments. No payments are due on the School Bond Loan Fund loan or accrued interest until such time as tax revenues exceed bond debt service requirements. Interest rates on these loans are variable, the rate at June 30, 2008 was between 4.25% and 4.38%, and the accrued interest was \$477,918, which is not included in the total.

\$ 3,036,784

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| | |
|--|-----------------------------|
| Installment Purchase Agreement due in 4 annual payments from \$13,100 to \$42,767, including interest at 5.48% on February 26 each year through 2010 for the purchase of one school bus. | 50,859 |
| Install Purchase Agreement due in 6 annual payments of \$87,400, including interest at 3.50% each December 17 through 2008 for the purpose of purchasing 8 school buses. | 84,608 |
| \$3,950,000 2003 Refunding Bonds Due in Annual Installments of \$50,000 to \$710,000 through May 1, 2020; Interest at 3.000% to 5.200% | 3,700,000 |
| \$163,312 1998 School Improvement Bonds (Durant Bonds) Due in Annual Installments of \$11,467 to \$34,403 through May 15, 2013; Interest at 3.426% | 68,106 |
| \$5,820,000 2000 Refunding Bonds Due in Annual Installments of \$410,000 to \$730,000 through May 1, 2015; Interest at 4.75% to 5.200% | 3,985,000 |
| \$12,235,000 2001 School Building and Site Bonds Series A Due in Annual Installments of \$325,000 through May 1, 2011; Interest at 4.250% to 4.450% | 975,000 |
| \$1,000,000 2001 School Building and Site Bonds Series B Qualified Zone Academy Bonds Due in one payment of \$1,000,000 on May 1, 2015. The interest rate on the bonds is 0%; however, the principal amount outstanding under these bonds will bear a tax credit of 6.78% to the eligible holder in accordance with Section 1397E of the Internal Revenue Code of 1986, as amended. As a condition of the bond covenant, the issuer must deposit annually through May 1, 2015, \$58,526 into a set aside restricted savings account bearing a 3% guaranteed annual rate of return. The funds deposited into this set aside account bearing interest at 3% will accumulate to \$1,000,000 by May 1, 2015 and can only be used to redeem the outstanding bonds. The district has complied with this covenant and at June 30, 2008 is treating \$448,549 of cash as restricted on the 2001 Debt Retirement Fund Series B Balance Sheet. | 1,000,000 |
| \$400,000 2005 Energy Conservation Improvement Bonds Due in Annual Installments of \$85,000 through May 1, 2010; Interest at 3.30% to 3.50% | 170,000 |
| \$7,190,000 2005 Refunding Bonds Due in Annual Installments of \$35,000 to \$505,000 through May 1, 2026; Interest at 3.500% to 5.000% | 7,100,000 |
| \$2,675,000 2006 Refunding Bonds Due in Annual Installments of \$5,000 to \$510,000 through May 1, 2031; Interest at 4.000% to 4.250% | 2,670,000 |
| Accumulated Unpaid Compensated Absences and Retirement Contracts | <u>923,794</u> |
| | \$ <u><u>23,764,151</u></u> |

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NOTES TO FINANCIAL STATEMENTS
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The annual requirements to amortize all general long-term debt outstanding except compensated absences and retirement and the School Bond Loan Fund loan as of June 30, 2008, are as follows:

| YEAR ENDING JUNE 30, | CONTRACTS PAYABLE | | BONDS PAYABLE | | TOTAL |
|-------------------------|-------------------|-----------------|---------------------|--------------------|---------------------|
| | PRINCIPAL | INTEREST | PRINCIPAL | INTEREST | |
| 2009 | \$ 94,920 | \$ 5,808 | \$ 914,469 | \$ 812,608 | \$ 1,827,805 |
| 2010 | 40,547 | 2,222 | 964,288 | 768,772 | 1,775,829 |
| 2011 | 0 | 0 | 957,541 | 726,451 | 1,683,992 |
| 2012 | 0 | 0 | 1,015,721 | 682,709 | 1,698,430 |
| 2013 | 0 | 0 | 1,086,087 | 632,843 | 1,718,930 |
| 2014-2018 | 0 | 0 | 6,975,000 | 2,336,900 | 9,311,900 |
| 2019-2023 | 0 | 0 | 3,780,000 | 1,204,555 | 4,984,555 |
| 2024-2028 | 0 | 0 | 2,490,000 | 624,186 | 3,114,186 |
| 2029-2032 | 0 | 0 | 1,485,000 | 124,805 | 1,609,805 |
| | <u>\$ 135,467</u> | <u>\$ 8,030</u> | <u>\$19,668,106</u> | <u>\$7,913,829</u> | <u>\$27,725,432</u> |

The annual requirements to amortize the accumulated unpaid compensated absences and retirement and the School Bond Loan Fund loan are not included above because it is unknown when they will actually be paid.

F. Interfund Receivables, Payables, and Transfers

Interfund Receivables and Payables as shown in the individual fund financial statements at June 30, 2008, were:

| | INTERFUND RECEIVABLES | INTERFUND PAYABLE |
|------------------------------------|--------------------------|----------------------|
| General Fund | \$ 0 | \$ 159,552 |
| Food Service Fund | 135,265 | 0 |
| Athletic Activities Fund | 8,278 | 0 |
| 2000 Debt Retirement Fund | 3,489 | 39 |
| 2001 Debt Retirement Fund Series A | 14,860 | 0 |
| 2001 Debt Retirement Fund Series B | 0 | 9,757 |
| 2003 Debt Retirement Fund | 8,304 | 0 |
| 2005 Debt Retirement Fund | 0 | 437 |
| 2006 Debt Retirement Fund | 0 | 411 |
| | <u>\$ 170,196</u> | <u>\$ 170,196</u> |

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

Interfund transfers are as shown in the individual fund financial statements at June 30, 2008, were:

| | TRANSFERS IN | TRANSFERS OUT |
|--|-------------------|-------------------|
| General Fund | \$ 32,942 | \$ 162,000 |
| School Service Fund - Food Service Fund | 0 | 32,942 |
| School Service Fund - Athletic Activities Fund | 162,000 | 0 |
| | <u>\$ 194,942</u> | <u>\$ 194,942</u> |

Transfers are used to move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations.

G. Leases

Operating Leases – The District is committed under various noncancelable leases for office equipment. The leases are operating leases with no contingent lease payments. The equipment may be purchased at the end of the lease for fair market value. For the year ended June 30, 2008, rental expenditures were \$21,435. Future minimum lease payments are as follows:

| <u>YEAR ENDED JUNE 30,</u> | <u>AMOUNT</u> |
|----------------------------|---------------|
| 2009 | \$ 21,435 |
| 2010 | 21,435 |
| 2011 | 17,862 |

NOTE 4 - OTHER INFORMATION

A. Employee Retirement System

Plan Description. The District contributes to the statewide Michigan Public School Employees' Retirement System (MPERS), a cost-sharing multiple-employer defined benefit pension plan administered by the nine member board of MPERS. The MPERS provides retirement benefits and postretirement benefits for health, dental and vision. The MPERS was established by Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30171, Lansing, Michigan 48909 or by calling (517) 322-5103.

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Funding Policy - Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000.

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Market rate interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPSERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rates for the year ended June 30, 2008, were 17.74% of payroll through September 30, 2007, and 16.72% effective October 1, 2007. The contribution requirements of plan members and the District are established and may be amended by the MPSERS Board of Trustees. The District contributions to MPSERS for the year ended June 30, 2008, 2007, and 2006 were \$993,534, \$1,062,937, and \$1,027,071 respectively, and were equal to the required contribution for those years.

The District is not responsible for the payment of retirement benefits which is the responsibility of the State of Michigan.

Other Post Employment Benefits Funding Policy

Under the MPSERS Act, all retirees have the option of continuing health, dental and vision coverage.

B. Single Audit Report

The School District is required to have an audit performed in accordance with the guidelines of the Single Audit Act of 1984, as amended. This audit has been performed and the reports based thereon have been issued under separate cover.

C. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The District participates in two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered public entity risk pools. The District pays annual premiums under retrospectively rated policy to the pools for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The workers' compensation pool and the property casualty pool maintain reinsurance for claims generally in excess of \$500,000 for each occurrence with the overall maximum coverage varying depending on the specific type coverage of reinsurance.

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance. No settlements have occurred in excess of coverage for June 30, 2008 or any of the prior three years.

D. 2005 Refunding Bonds

On July 6, 2005, the District issued \$7,190,000 in General Obligation Bonds with interest rates of 3.50% to 5.00% to advance refund \$6,690,000 of outstanding 2001A Series Bonds with interest rates of 4.100% to 5.500%. As a result \$6,690,000 of the 2001A Series Bonds are considered to be defeased and the liability for those bonds will be removed from the non current liabilities of the District.

The District advance refunded a portion of the 2001A bond issue to reduce its total future debt service payments by \$351,966 and resulted in an economic gain of \$281,462. Additionally, it is estimated these refunding bonds will save \$233,172 of interest that will not have to be paid to the School Bond Loan Fund.

E. Restrictions on Cash

The District has bond provisions that require it to set aside amounts each year in the 2001 B Debt Retirement Fund to accumulate funds for bond retirement. At June 30, 2008 and 2007, the amount of cash in the fund which was restricted was \$448,549 and \$378,570 respectively.

F. 2006 Refunding Bonds

On October 10, 2006, the District issued \$2,675,000 in General Obligation Bonds with interest rates of 4.00% to 4.25% to advance refund \$2,500,000 of outstanding 2001A Series Bonds with interest rates of 5.125%. As a result \$2,500,000 of the 2001A Series Bonds are considered to be defeased and the liability for those bonds will be removed from the non current liabilities of the District.

The District advance refunded a portion of the 2001A bond issue to reduce its total future debt service payments by \$278,246 and resulted in an economic gain of \$170,129. Additionally, it is estimated these refunding bonds will save \$104,337 of interest that will not have to be paid to the School Bond Loan Fund.

WHITE CLOUD PUBLIC SCHOOLS
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

G. Sale of Future Revenues

For several years, the District has sold its rights to delinquent real property tax revenues and related late payment penalties to the Newaygo County treasurer. For the 2007 tax roll the District received a lump sum payment of \$215,201 for general operating tax revenues and \$197,978 for debt service tax revenues. These amounts represent 100% of the present value of the delinquent real property tax revenues. In exchange for these payments, the county is allowed to keep the delinquent taxes collected plus the late payment penalties charged. If the county is ultimately unable to collect any of these delinquent taxes, the District will have to repay the county.

WHITE CLOUD PUBLIC SCHOOLS

WHITE CLOUD, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

YEAR ENDED JUNE 30, 2008

| | <u>ORIGINAL BUDGET</u> | <u>FINAL BUDGET</u> | <u>ACTUAL</u> |
|---|----------------------------|-------------------------|-------------------|
| <u>REVENUES</u> | | | |
| Local Sources | \$ 1,615,730 | \$ 1,744,678 | \$ 1,749,080 |
| State Sources | 7,858,852 | 7,867,669 | 7,867,675 |
| Federal Sources | 972,825 | 969,253 | 968,924 |
| Other Transactions | 75,835 | 150,593 | 150,752 |
| Total Revenues | <u>10,523,242</u> | <u>10,732,193</u> | <u>10,736,431</u> |
| <u>EXPENDITURES</u> | | | |
| Instruction | | | |
| Basic Programs | 5,024,881 | 4,902,201 | 4,877,638 |
| Added Needs | 2,598,391 | 2,094,716 | 2,083,025 |
| Supporting Services | | | |
| Pupil | 107,684 | 512,302 | 506,379 |
| Instructional Staff | 25,806 | 94,690 | 87,943 |
| General Administration | 312,401 | 339,274 | 332,223 |
| School Administration | 549,947 | 578,254 | 571,832 |
| Business | 356,433 | 221,899 | 211,231 |
| Operation and Maintenance of Plant | 909,613 | 911,630 | 868,907 |
| Pupil Transportation Services | 785,359 | 809,261 | 798,715 |
| Support Service Technology | 32,020 | 174,124 | 166,469 |
| Other Transactions | 208,801 | 200,183 | 200,183 |
| Total Expenditures | <u>10,911,336</u> | <u>10,838,534</u> | <u>10,704,545</u> |
| Excess (Deficiency) of Revenues | | | |
| Over Expenditures | <u>(388,094)</u> | <u>(106,341)</u> | <u>31,886</u> |
| <u>OTHER FINANCING SOURCES (USES)</u> | | | |
| Transfers In | 30,000 | 39,000 | 32,942 |
| Transfer Out | <u>(171,147)</u> | <u>(162,000)</u> | <u>(162,000)</u> |
| Total Other Financing Sources (Uses) | <u>(141,147)</u> | <u>(123,000)</u> | <u>(129,058)</u> |
| Net Change in Fund Balance | (529,241) | (229,341) | (97,172) |
| <u>FUND BALANCE</u> - Beginning of Year | <u>735,136</u> | <u>817,785</u> | <u>817,785</u> |
| <u>FUND BALANCE</u> - End of Year | <u>\$ 205,895</u> | <u>\$ 588,444</u> | <u>\$ 720,613</u> |

WHITE CLOUD PUBLIC SCHOOLS
WHITE CLOUD, MICHIGAN

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES

JUNE 30, 2008

| | <u>SPECIAL REVENUE FUNDS</u> | <u>DEBT RETIREMENT FUNDS</u> | <u>TOTAL NONMAJOR GOVERNMENTAL FUNDS</u> |
|--|--------------------------------------|--------------------------------------|--|
| <u>ASSETS</u> | | | |
| Cash | \$ 73,292 | \$ 797,550 | \$ 870,842 |
| Accounts Receivable | 725 | 0 | 725 |
| Taxes Receivable | 0 | 15,246 | 15,246 |
| Due from Other Funds | 143,543 | 26,653 | 170,196 |
| Due from Other Governments | 0 | 876 | 876 |
| Inventory | 19,561 | 0 | 19,561 |
| | <hr/> | <hr/> | <hr/> |
| TOTAL ASSETS | \$ 237,121 | \$ 840,325 | \$ 1,077,446 |
| | <hr/> | <hr/> | <hr/> |
| <u>LIABILITIES AND FUND BALANCES</u> | | | |
| <u>LIABILITIES</u> | | | |
| Accounts Payable | \$ 39,396 | \$ 0 | \$ 39,396 |
| Due to Other Funds | 0 | 10,644 | 10,644 |
| Due to Other Governments | 0 | 1,643 | 1,643 |
| | <hr/> | <hr/> | <hr/> |
| Total Liabilities | 39,396 | 12,287 | 51,683 |
| | <hr/> | <hr/> | <hr/> |
| <u>FUND BALANCES</u> | | | |
| Reserved for Inventory | 19,561 | 0 | 19,561 |
| Reserved for Debt Service | 0 | 828,038 | 828,038 |
| Unreserved | | | |
| Designated for: | | | |
| Food Service | 167,190 | 0 | 167,190 |
| Athletic Activities | 10,974 | 0 | 10,974 |
| | <hr/> | <hr/> | <hr/> |
| Total Fund Balances | 197,725 | 828,038 | 1,025,763 |
| | <hr/> | <hr/> | <hr/> |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 237,121 | \$ 840,325 | \$ 1,077,446 |
| | <hr/> | <hr/> | <hr/> |

WHITE CLOUD PUBLIC SCHOOLS

WHITE CLOUD, MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUND TYPES

YEAR ENDED JUNE 30, 2008

| | SPECIAL REVENUE FUNDS | DEBT RETIREMENT FUNDS | TOTAL NONMAJOR GOVERNMENTAL FUNDS |
|--|-----------------------------|-----------------------------|--|
| <u>REVENUES</u> | | | |
| Local Sources | \$ 239,096 | \$ 1,403,314 | \$ 1,642,410 |
| State Sources | 36,667 | 0 | 36,667 |
| Federal Sources | 365,900 | 0 | 365,900 |
| | | | |
| Total Revenues | 641,663 | 1,403,314 | 2,044,977 |
| <u>EXPENDITURES</u> | | | |
| Food Service | 616,036 | 0 | 616,036 |
| Athletic Activities | 188,340 | 0 | 188,340 |
| Debt Service | | | |
| Principal | 0 | 775,000 | 775,000 |
| Interest and Fiscal Charges | 0 | 833,843 | 833,843 |
| | | | |
| Total Expenditures | 804,376 | 1,608,843 | 2,413,219 |
| | | | |
| Excess (Deficiency) of Revenues Over Expenditures | (162,713) | (205,529) | (368,242) |
| <u>OTHER FINANCING SOURCES (USES)</u> | | | |
| Transfers In (Out) | 129,058 | 0 | 129,058 |
| Loan Proceeds | 0 | 215,671 | 215,671 |
| | | | |
| Total Other Financing Sources (Uses) | 129,058 | 215,671 | 344,729 |
| | | | |
| Net Change in Fund Balance | (33,655) | 10,142 | (23,513) |
| <u>FUND BALANCE - Beginning of Year</u> | 231,380 | 817,896 | 1,049,276 |
| <u>FUND BALANCE - End of Year</u> | \$ 197,725 | \$ 828,038 | \$ 1,025,763 |

WHITE CLOUD PUBLIC SCHOOLS
WHITE CLOUD, MICHIGAN

SPECIAL REVENUE (SCHOOL SERVICE) FUNDS
COMBINED BALANCE SHEET

JUNE 30, 2008

| | FOOD SERVICE FUND | ATHLETIC ACTIVITIES FUND | TOTAL |
|---------------------------------------|-------------------------|--------------------------------|-------------------|
| <u>ASSETS</u> | | | |
| Cash | \$ 70,596 | \$ 2,696 | \$ 73,292 |
| Accounts Receivable | 725 | 0 | 725 |
| Due from Other Funds | 135,265 | 8,278 | 143,543 |
| Inventory | 19,561 | 0 | 19,561 |
| | | | |
| TOTAL ASSETS | <u>\$ 226,147</u> | <u>\$ 10,974</u> | <u>\$ 237,121</u> |
| <u>LIABILITIES AND FUND BALANCE</u> | | | |
| <u>LIABILITIES</u> | | | |
| Accounts Payable | <u>\$ 39,396</u> | <u>\$ 0</u> | <u>\$ 39,396</u> |
| <u>FUND BALANCE</u> | | | |
| Reserved for Inventory | 19,561 | 0 | 19,561 |
| Unreserved | | | |
| Designated for: | | | |
| Food Service | 167,190 | 0 | 167,190 |
| Athletic Activities | 0 | 10,974 | 10,974 |
| | | | |
| Total Fund Balance | <u>186,751</u> | <u>10,974</u> | <u>197,725</u> |
| | | | |
| TOTAL LIABILITIES AND FUND BALANCE | <u>\$ 226,147</u> | <u>\$ 10,974</u> | <u>\$ 237,121</u> |

WHITE CLOUD PUBLIC SCHOOLS
WHITE CLOUD, MICHIGAN

SPECIAL REVENUE (SCHOOL SERVICE) FUNDS

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2008

| | FOOD SERVICE FUND | ATHLETIC ACTIVITIES FUND | TOTAL |
|--|-------------------------|--------------------------------|------------|
| <u>REVENUES</u> | | | |
| Local Sources | \$ 211,152 | \$ 27,944 | \$ 239,096 |
| State Sources | 36,667 | 0 | 36,667 |
| Federal Sources | 365,900 | 0 | 365,900 |
| | | | |
| Total Revenues | 613,719 | 27,944 | 641,663 |
| | | | |
| <u>EXPENDITURES</u> | | | |
| Food Services | 616,036 | 0 | 616,036 |
| Athletic Activities | 0 | 188,340 | 188,340 |
| | | | |
| Total Expenditures | 616,036 | 188,340 | 804,376 |
| | | | |
| Excess (Deficiency) of Revenues Over Expenditures | (2,317) | (160,396) | (162,713) |
| | | | |
| <u>OTHER FINANCING SOURCES (USES)</u> | | | |
| Transfers In (Out) | (32,942) | 162,000 | 129,058 |
| | | | |
| Net Change in Fund Balance | (35,259) | 1,604 | (33,655) |
| | | | |
| <u>FUND BALANCE</u> - Beginning of Year | 222,010 | 9,370 | 231,380 |
| | | | |
| <u>FUND BALANCE</u> - End of Year | \$ 186,751 | \$ 10,974 | \$ 197,725 |

WHITE CLOUD PUBLIC SCHOOLS
WHITE CLOUD, MICHIGAN

DEBT RETIREMENT FUNDS
COMBINED BALANCE SHEET

JUNE 30, 2008

| | 2000 REFUNDING DEBT RETIREMENT FUND | 2001 DEBT RETIREMENT FUND SERIES A | 2001 DEBT RETIREMENT FUND SERIES B | 2003 REFUNDING DEBT RETIREMENT FUND | 2005 REFUNDING DEBT RETIREMENT FUND | 2006 REFUNDING DEBT RETIREMENT FUND | TOTALS |
|---|---|--|--|---|---|---|----------------|
| <u>ASSETS</u> | | | | | | | |
| Cash | \$ 124,446 | \$ 140,025 | \$ 455,326 | \$ 36,497 | \$ 30,539 | \$ 10,717 | \$ 797,550 |
| Due from Other Funds | 3,489 | 14,860 | 0 | 8,304 | 0 | 0 | 26,653 |
| Due from Other Governments | 597 | 0 | 0 | 206 | 0 | 73 | 876 |
| Taxes Receivable | 5,501 | 5,660 | 972 | 2,922 | 191 | 0 | 15,246 |
| TOTAL ASSETS | \$ 134,033 | \$ 160,545 | \$ 456,298 | \$ 47,929 | \$ 30,730 | \$ 10,790 | \$ 840,325 |
| <u>LIABILITIES AND FUND BALANCE</u> | | | | | | | |
| <u>LIABILITIES</u> | | | | | | | |
| Due to Other Funds | \$ 39 | \$ 0 | \$ 9,757 | \$ 0 | \$ 437 | \$ 411 | \$ 10,644 |
| Due to Other Governments | 0 | 396 | 158 | 0 | 1,089 | 0 | 1,643 |
| Total Liabilities | 39 | 396 | 9,915 | 0 | 1,526 | 411 | 12,287 |
| <u>FUND BALANCE</u> | | | | | | | |
| Reserved for Debt Retirement | 133,994 | 160,149 | 446,383 | 47,929 | 29,204 | 10,379 | 828,038 |
| TOTAL LIABILITIES AND FUND BALANCE | \$ 134,033 | \$ 160,545 | \$ 456,298 | \$ 47,929 | \$ 30,730 | \$ 10,790 | \$ 840,325 |

WHITE CLOUD PUBLIC SCHOOLS
WHITE CLOUD, MICHIGAN

DEBT RETIREMENT FUNDS

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2008

| | 2000 REFUNDING DEBT RETIREMENT FUND | 2001 DEBT RETIREMENT FUND SERIES A | 2001 DEBT RETIREMENT FUND SERIES B | 2003 REFUNDING DEBT RETIREMENT FUND | 2005 REFUNDING DEBT RETIREMENT FUND | 2006 REFUNDING DEBT RETIREMENT FUND | TOTALS |
|---|---|--|--|---|---|---|--------------|
| <u>REVENUES</u> | | | | | | | |
| Local Sources | \$ 554,692 | \$ 383,877 | \$ 58,209 | \$ 144,714 | \$ 211,244 | \$ 50,578 | \$ 1,403,314 |
| <u>EXPENDITURES</u> | | | | | | | |
| Debt Service | | | | | | | |
| Redemption of Principal | 365,000 | 325,000 | 0 | 50,000 | 30,000 | 5,000 | 775,000 |
| Interest and Fiscal Charges | 217,088 | 55,914 | 0 | 147,228 | 302,156 | 111,457 | 833,843 |
| Total Expenditures | 582,088 | 380,914 | 0 | 197,228 | 332,156 | 116,457 | 1,608,843 |
| Excess (Deficiency) of Revenues Over Expenditures | (27,396) | 2,963 | 58,209 | (52,514) | (120,912) | (65,879) | (205,529) |
| <u>OTHER FINANCING SOURCES (USES)</u> | | | | | | | |
| Loan Proceeds | 42,121 | 0 | 0 | 52,687 | 120,863 | 0 | 215,671 |
| Net Change in Fund Balance | 14,725 | 2,963 | 58,209 | 173 | (49) | (65,879) | 10,142 |
| <u>FUND BALANCE -</u> | | | | | | | |
| Beginning of Year | 119,269 | 157,186 | 388,174 | 47,756 | 29,253 | 76,258 | 817,896 |
| <u>FUND BALANCE - End of Year</u> | \$ 133,994 | \$ 160,149 | \$ 446,383 | \$ 47,929 | \$ 29,204 | \$ 10,379 | \$ 828,038 |

WHITE CLOUD PUBLIC SCHOOLS

WHITE CLOUD, MICHIGAN

AGENCY FUND

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND BALANCE

YEAR ENDED JUNE 30, 2008

| | BALANCE | RECEIPTS | DISBURSEMENTS | BALANCE |
|---------------------------|---------|-----------------------|---------------|---------|
| | 6/30/07 | (INCLUDING TRANSFERS) | | 6/30/08 |
| High School: | | | | |
| Administration | \$ 458 | \$ 165 | \$ 6 | \$ 617 |
| Art | 94 | 0 | 0 | 94 |
| Band | 2,507 | 31,515 | 31,645 | 2,377 |
| Baseball-Boys HS | 1,534 | 10,466 | 11,675 | 325 |
| Basketball-Boys HS | 656 | 3,056 | 3,939 | (227) |
| Basketball-Girls HS | 3,232 | 2,020 | 2,714 | 2,538 |
| Cheerleaders | 752 | 158 | 259 | 651 |
| Class of 2008 | 742 | 4,560 | 4,154 | 1,148 |
| Class of 2009 | 1,605 | 5,627 | 6,702 | 530 |
| Class of 2010 | 470 | 865 | 473 | 862 |
| Class of 2011 | 0 | 1,164 | 473 | 691 |
| Cross Country | 1,394 | 118 | 471 | 1,041 |
| Drama | 1,279 | 0 | 0 | 1,279 |
| FAF Grant | 0 | 436 | 0 | 436 |
| Football | 4,834 | 2,921 | 7,597 | 158 |
| Foreign Language | 2,364 | 10,722 | 13,138 | (52) |
| Girls Track | 935 | 260 | 127 | 1,068 |
| Guidance Department | 3,100 | 2,472 | 1,464 | 4,108 |
| Library Fines | 641 | 1,337 | 893 | 1,085 |
| National Honor Society | 137 | 0 | 29 | 108 |
| Quiz Bowl | 972 | 4,565 | 5,111 | 426 |
| ROTC | 1,140 | 16,109 | 16,189 | 1,060 |
| Ski | 0 | 621 | 621 | 0 |
| Softball | 972 | 0 | 460 | 512 |
| Student Council | 4,694 | 4,684 | 6,500 | 2,878 |
| Teacher Club | 404 | 217 | 85 | 536 |
| Track | 312 | 150 | 0 | 462 |
| Vocal-Choir | 1,561 | 3,999 | 4,490 | 1,070 |
| Voice of Reason | 795 | 50 | 287 | 558 |
| Volleyball | 977 | 5,082 | 4,816 | 1,243 |
| Yearbook 06-07 | 5,099 | 621 | 5,720 | 0 |
| Yearbook 07-08 | 60 | 7,790 | 0 | 7,850 |
| Yosemite Fitness for Life | 1,176 | 0 | 127 | 1,049 |
| Total High School | 44,896 | 121,750 | 130,165 | 36,481 |

WHITE CLOUD PUBLIC SCHOOLS

WHITE CLOUD, MICHIGAN

AGENCY FUND

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND BALANCE

YEAR ENDED JUNE 30, 2008

| | BALANCE 6/30/07 | RECEIPTS (INCLUDING TRANSFERS) | DISBURSEMENTS | BALANCE 6/30/08 |
|---------------------------|--------------------|-----------------------------------|---------------|--------------------|
| Middle School: | | | | |
| Derks Memorial | 22 | 0 | 0 | 22 |
| Class of 2014 | 0 | 4,498 | 4,225 | 273 |
| Class of 2013 | 330 | 214 | 214 | 330 |
| Class of 2012 | 24 | 301 | 301 | 24 |
| Class of 2011 | 357 | 0 | 357 | 0 |
| Administrative | 104 | 52 | 134 | 22 |
| Art Class | 43 | 0 | 0 | 43 |
| Categorical Rooms | 367 | 571 | 703 | 235 |
| Cheerleaders | 69 | 0 | 0 | 69 |
| Club Pride | 885 | 0 | 0 | 885 |
| Educational Fund | 0 | 2,500 | 610 | 1,890 |
| Field Trip Transportation | 0 | 500 | 500 | 0 |
| Helping Hands | 0 | 438 | 32 | 406 |
| JH Track | 0 | 792 | 293 | 499 |
| Multicultural Festival | 613 | 372 | 570 | 415 |
| OSA Peninsula | 0 | 392 | 392 | 0 |
| Pilot Testing Program | 173 | 504 | 0 | 677 |
| Physical Education | 55 | 0 | 0 | 55 |
| R. Smith Classroom | 250 | 0 | 250 | 0 |
| Safety Classes | 98 | 0 | 59 | 39 |
| School Store | 633 | 25 | 574 | 84 |
| Speak Up Camp | 0 | 10 | 10 | 0 |
| Student Council | 4,026 | 2,654 | 4,419 | 2,261 |
| Teacher's Fund | 222 | 772 | 812 | 182 |
| Total Middle School | 8,271 | 14,595 | 14,455 | 8,411 |
| Elementary: | | | | |
| 1st Grade | 45 | 2,725 | 2,628 | 142 |
| Book Fair | 1,025 | 1,267 | 1,240 | 1,052 |
| Dave's Way | 101 | 0 | 0 | 101 |
| Fundraiser | 0 | 21,023 | 21,005 | 18 |
| Hawks | 1,533 | 199 | 867 | 865 |
| KDG Class Account | 209 | 1,378 | 492 | 1,095 |
| Music | 301 | 0 | 23 | 278 |
| Picture Account | 397 | 2,813 | 3,147 | 63 |
| Teacher's Pop Fund | 72 | 286 | 323 | 35 |
| Walczewski | 0 | 164 | 154 | 10 |
| Warm & Toasty | 13 | 438 | 31 | 420 |
| Total Elementary | 3,696 | 30,293 | 29,910 | 4,079 |

WHITE CLOUD PUBLIC SCHOOLS
WHITE CLOUD, MICHIGAN

AGENCY FUND

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND BALANCE
YEAR ENDED JUNE 30, 2008

| | BALANCE 6/30/07 | RECEIPTS (INCLUDING TRANSFERS) | DISBURSEMENTS | BALANCE 6/30/08 |
|---------------------------------|--------------------|-----------------------------------|---------------|--------------------|
| Upper Elementary: | | | | |
| 2nd Grade | 190 | 3,837 | 3,540 | 487 |
| 3rd Grade | 14 | 1,293 | 826 | 481 |
| 4th Grade | 216 | 4,183 | 3,072 | 1,327 |
| 5th Grade | 4 | 559 | 527 | 36 |
| Book Fair | 0 | 1,595 | 1,595 | 0 |
| Categorical | 230 | 799 | 683 | 346 |
| Computers | 534 | 602 | 674 | 462 |
| Grants | 0 | 338 | 16 | 322 |
| Library | 532 | 333 | 0 | 865 |
| Pencil Machine | 1,023 | 610 | 659 | 974 |
| Teachers Fund | 1,510 | 731 | 350 | 1,891 |
| Teacher Of The Year | 0 | 1,000 | 725 | 275 |
| Girls Basketball | 216 | 700 | 546 | 370 |
| Memorial Fund | 0 | 235 | 0 | 235 |
| School Store | 0 | 2,143 | 1,212 | 931 |
| Warm Furries/Sunshine Committee | 97 | 156 | 161 | 92 |
| Administration Miscellaneous | 287 | 4,613 | 3,077 | 1,823 |
| Total Upper Elementary | 4,853 | 23,727 | 17,663 | 10,917 |
| Ethel Kelly Library | | | | |
| Expendable | 408 | 2 | 0 | 410 |
| Non-Expendable | 2,356 | 104 | 0 | 2,460 |
| Total Ethel Kelly Library | 2,764 | 106 | 0 | 2,870 |
| Grand Total | \$ 64,480 | \$ 190,471 | \$ 192,193 | \$ 62,758 |
| Represented by | | | | |
| Assets | | | | |
| Cash | \$ 64,480 | | | \$ 62,758 |
| Liabilities | | | | |
| Due to Groups and Organizations | \$ 64,480 | | | \$ 62,758 |

WHITE CLOUD PUBLIC SCHOOLS
WHITE CLOUD, MICHIGAN

1998 DURANT BONDS
JUNE 30, 2008

| | |
|--|--|
| <u>TITLE OF ISSUE</u> | 1998 School Improvement Bond (Durant Bonds) |
| <u>PURPOSE</u> | This Bond was issued for purposes permitted in Section 1351(a) of Act 451, Public Acts of Michigan |
| <u>DATE OF ISSUE</u> | November 24, 1999 |
| <u>INTEREST PAYABLE</u> | May 15th, of each year |
| <u>AMOUNT OF ISSUE</u> | \$ 163,312 |
| <u>AMOUNT REDEEMED</u> | |
| Current Year | \$ 0 |
| Prior Years | 95,206 |
| | <hr/> 95,206 |
| <u>BALANCE OUTSTANDING - June 30, 2008</u> | <u><u>\$ 68,106</u></u> |

| <u>DUE DATES</u> | <u>INTEREST RATES</u> | <u>REQUIREMENTS</u> | | |
|------------------|---------------------------|---------------------|-----------------|-----------------|
| | | <u>PRINCIPAL</u> | <u>INTEREST</u> | <u>TOTAL</u> |
| May 15, 2009 | 3.426% | \$ 4,469 | \$ 7,000 | \$ 11,469 |
| May 15, 2010 | 3.426% | 9,288 | 2,180 | 11,468 |
| May 15, 2011 | 3.426% | 32,541 | 1,862 | 34,403 |
| May 15, 2012 | 3.426% | 10,721 | 747 | 11,468 |
| May 15, 2013 | 3.426% | 11,087 | 380 | 11,467 |
| | | <hr/> \$ 68,106 | <hr/> \$ 12,169 | <hr/> \$ 80,275 |

REDEMPTION PRIOR TO MATURITY

This bond is not subject to redemption prior to maturity by the School District and the School District may not issue any other bonds or obligations for the purpose of refunding this bond.

TAX LEVY/STATE AID

The revenues to retire the Durant Settlement Bonds are to come from yearly transfers of state aid from the State of Michigan, thus, no property taxes are levied for these payments.

WHITE CLOUD PUBLIC SCHOOLS
WHITE CLOUD, MICHIGAN

2000 REFUNDING BONDS
JUNE 30, 2008

| | |
|--|---|
| <u>TITLE OF ISSUE</u> | 2000 Refunding Bonds |
| <u>PURPOSE</u> | To advance refund a prior bond issue of the School District and the costs of issuing the bonds. |
| <u>DATE OF ISSUE</u> | December 20, 2000 |
| <u>INTEREST PAYABLE</u> | May 1, and November 1, of each year |
| <u>AMOUNT OF ISSUE</u> | \$ 5,820,000 |
| <u>AMOUNT REDEEMED</u> | |
| Current Year | \$ 365,000 |
| Prior Years | 1,470,000 |
| | 1,835,000 |
| <u>BALANCE OUTSTANDING - June 30, 2008</u> | \$ 3,985,000 |

| <u>DUE DATES</u> | | <u>INTEREST RATES</u> | <u>REQUIREMENTS</u> | | |
|------------------|------|---------------------------|---------------------|-----------------|--------------|
| | | | <u>PRINCIPAL</u> | <u>INTEREST</u> | <u>TOTAL</u> |
| November 1 | 2008 | | | \$ 99,806 | \$ 99,806 |
| May 1 | 2009 | 4.750% | \$ 410,000 | 99,806 | 509,806 |
| November 1 | 2009 | | | 90,069 | 90,069 |
| May 1 | 2010 | 4.800% | 455,000 | 90,069 | 545,069 |
| November 1 | 2010 | | | 79,149 | 79,149 |
| May 1 | 2011 | 4.900% | 510,000 | 79,149 | 589,149 |
| November 1 | 2011 | | | 66,654 | 66,654 |
| May 1 | 2012 | 5.000% | 565,000 | 66,654 | 631,654 |
| November 1 | 2012 | | | 52,529 | 52,529 |
| May 1 | 2013 | 5.050% | 625,000 | 52,529 | 677,529 |

WHITE CLOUD PUBLIC SCHOOLS
WHITE CLOUD, MICHIGAN

2000 REFUNDING BONDS
JUNE 30, 2008

| <u>DUE DATES</u> | | <u>INTEREST RATES</u> | <u>REQUIREMENTS</u> | | |
|------------------|------|---------------------------|---------------------|-------------------|---------------------|
| | | | <u>PRINCIPAL</u> | <u>INTEREST</u> | <u>TOTAL</u> |
| November 1 | 2013 | | | 36,747 | 36,747 |
| May 1 | 2014 | 5.150% | 690,000 | 36,748 | 726,748 |
| November 1 | 2014 | | | 18,980 | 18,980 |
| May 1 | 2015 | 5.200% | 730,000 | 18,980 | 748,980 |
| | | | <u>\$ 3,985,000</u> | <u>\$ 887,869</u> | <u>\$ 4,872,869</u> |

DENOMINATION \$5,000 each, or any integral multiple thereof not exceeding the aggregate principal amount for each maturity.

REDEMPTION PRIOR TO MATURITY Bonds, or portions of bonds maturing on or after May 1, 2011, are subject to redemption at the option of the issuer in multiples of \$5,000 in such order as the issuer may determine, by lot within any maturity, on any interest payment date occurring on or after May 1, 2010, at par and accrued interest to the date fixed for redemption.

WHITE CLOUD PUBLIC SCHOOLS
WHITE CLOUD, MICHIGAN

2001 SCHOOL BUILDING AND SITE BONDS SERIES A
JUNE 30, 2008

| | | | |
|---|--|------------|--|
| <u>TITLE OF ISSUE</u> | 2001 School Building and Site Bonds Series A | | |
| <u>PURPOSE</u> | For erecting, furnishing and equipping a new elementary school and playground; erecting furnishing and equipping additions to and partially remodeling, refurnishing and re-equipping the existing elementary and middle/high school buildings; acquiring and installing educational technology; and developing and improving sites. | | |
| <u>DATE OF ISSUE</u> | August 8, 2001 | | |
| <u>INTEREST PAYABLE</u> | May 1, and November 1, of each year | | |
| <u>AMOUNT OF ISSUE</u> | \$ 12,235,000 | | |
| <u>AMOUNT OF REFUNDING OF PORTION OF 2001 SCHOOL BUILDING AND SITE BONDS SERIES A</u> | (9,190,000) | | |
| <u>AMOUNT REDEEMED</u> | | | |
| Current Year | \$ 325,000 | | |
| Prior Years | 1,745,000 | 2,070,000 | |
| <u>BALANCE OUTSTANDING - June 30, 2008</u> | | \$ 975,000 | |

| <u>DUE DATES</u> | <u>INTEREST RATES</u> | <u>REQUIREMENTS</u> | | |
|------------------|---------------------------|---------------------|-----------------|--------------|
| | | <u>PRINCIPAL</u> | <u>INTEREST</u> | <u>TOTAL</u> |
| November 1 2008 | | | \$ 21,206 | \$ 21,206 |
| May 1 2009 | 4.250% | \$ 325,000 | 21,206 | 346,206 |
| November 1 2009 | | | 14,300 | 14,300 |
| May 1 2010 | 4.350% | 325,000 | 14,300 | 339,300 |
| November 1 2010 | | | 7,231 | 7,231 |
| May 1 2011 | 4.450% | 325,000 | 7,231 | 332,231 |
| | | \$ 975,000 | \$ 85,474 | \$ 1,060,474 |

WHITE CLOUD PUBLIC SCHOOLS
WHITE CLOUD, MICHIGAN

2001 SCHOOL BUILDING AND SITE BONDS SERIES A
JUNE 30, 2008

DENOMINATION

\$5,000 each, or any integral multiple thereof not exceeding the aggregate principal amount for each maturity.

REDEMPTION PRIOR TO MATURITY

Bonds, or portions of bonds maturing on or after May 1, 2012, are subject to redemption at the option of the issuer in multiples of \$5,000 in such order as the issuer may determine, by lot within any maturity, on any interest payment date occurring on or after May 1, 2011, at par and accrued interest to the date fixed for redemption.

WHITE CLOUD PUBLIC SCHOOLS
WHITE CLOUD, MICHIGAN

2001 SCHOOL BUILDING AND SITE BONDS SERIES B
JUNE 30, 2008

| | | | | |
|--|--|--|-------------|---------------------|
| <u>TITLE OF ISSUE</u> | 2001 School Building and Site Bonds Series B Qualified Zone Academy Bonds | | | |
| <u>PURPOSE</u> | For partially remodeling, refurbishing and re-equipping the existing elementary and middle/high school buildings; acquiring and installing educational technology; and developing and improving sites. | | | |
| <u>DATE OF ISSUE</u> | September 13, 2001 | | | |
| <u>INTEREST PAYABLE</u> | None | | | |
| <u>AMOUNT OF ISSUE</u> | \$ 1,000,000 | | | |
| <u>AMOUNT REDEEMED</u> | | | | |
| Current Year | \$ 0 | | | |
| Prior Years | 0 0 | | | |
| <u>BALANCE OUTSTANDING - June 30, 2008</u> | <u>\$ 1,000,000</u> | | | |
| <u>DUE DATES</u> | <u>INTEREST RATES</u> | <u>REQUIREMENTS</u> <u>PRINCIPAL INTEREST TOTAL</u> | | |
| May 1, 2015 | 0.000% | <u>\$ 1,000,000</u> | <u>\$ 0</u> | <u>\$ 1,000,000</u> |
| <u>DENOMINATION</u> | \$5,000 each, or any integral multiple thereof not exceeding the aggregate principal amount for each maturity. | | | |
| <u>REDEMPTION PRIOR TO MATURITY</u> | Bonds of this issue are not subject to redemption prior to maturity. | | | |

WHITE CLOUD PUBLIC SCHOOLS
WHITE CLOUD, MICHIGAN

2003 REFUNDING BONDS
JUNE 30, 2008

| | |
|--|--|
| <u>TITLE OF ISSUE</u> | 2003 Refunding Bonds |
| <u>PURPOSE</u> | To refund a portion of a prior bond issue of the School District and the costs of issuing the bonds. |
| <u>DATE OF ISSUE</u> | March 20, 2003 |
| <u>INTEREST PAYABLE</u> | May 1, and November 1, of each year |
| <u>AMOUNT OF ISSUE</u> | \$ 3,950,000 |
| <u>AMOUNT REDEEMED</u> | |
| Current Year | \$ 50,000 |
| Prior Years | 200,000 |
| | 250,000 |
| <u>BALANCE OUTSTANDING - June 30, 2008</u> | \$ 3,700,000 |

| <u>DUE DATES</u> | <u>INTEREST RATES</u> | <u>REQUIREMENTS</u> | | |
|------------------|---------------------------|---------------------|-----------------|--------------|
| | | <u>PRINCIPAL</u> | <u>INTEREST</u> | <u>TOTAL</u> |
| November 1 2008 | | | \$ 72,895 | \$ 72,895 |
| May 1 2009 | 3.000% | \$ 50,000 | 72,895 | 122,895 |
| November 1 2009 | | | 72,145 | 72,145 |
| May 1 2010 | 3.250% | 50,000 | 72,145 | 122,145 |
| November 1 2010 | | | 71,333 | 71,333 |
| May 1 2011 | 3.500% | 50,000 | 71,332 | 121,332 |
| November 1 2011 | | | 70,458 | 70,458 |
| May 1 2012 | 3.600% | 50,000 | 70,457 | 120,457 |
| November 1 2012 | | | 69,558 | 69,558 |
| May 1 2013 | 5.050% | 50,000 | 69,557 | 119,557 |
| November 1 2013 | | | 68,658 | 68,658 |
| May 1 2014 | 5.050% | 50,000 | 68,657 | 118,657 |
| November 1 2014 | | | 67,708 | 67,708 |
| May 1 2015 | 5.050% | 50,000 | 67,707 | 117,707 |
| November 1 2015 | | | 66,758 | 66,758 |
| May 1 2016 | 5.050% | 710,000 | 66,757 | 776,757 |
| November 1 2016 | | | 53,090 | 53,090 |

WHITE CLOUD PUBLIC SCHOOLS
WHITE CLOUD, MICHIGAN

2003 REFUNDING BONDS

JUNE 30, 2008

| <u>DUE DATES</u> | | <u>INTEREST RATES</u> | <u>REQUIREMENTS</u> | | |
|------------------|------|---------------------------|---------------------|---------------------|---------------------|
| | | | <u>PRINCIPAL</u> | <u>INTEREST</u> | <u>TOTAL</u> |
| May 1 | 2017 | 5.050% | 690,000 | 53,090 | 743,090 |
| November 1 | 2017 | | | 39,635 | 39,635 |
| May 1 | 2018 | 5.150% | 670,000 | 39,635 | 709,635 |
| November 1 | 2018 | | | 26,235 | 26,235 |
| May 1 | 2019 | 5.150% | 650,000 | 26,235 | 676,235 |
| November 1 | 2019 | | | 13,073 | 13,073 |
| May 1 | 2020 | 5.200% | 630,000 | 13,072 | 643,072 |
| | | | <u>\$3,700,000</u> | <u>\$ 1,383,085</u> | <u>\$ 5,083,085</u> |

DENOMINATION

\$5,000 each, or any integral multiple thereof not exceeding the aggregate principal amount for each maturity.

REDEMPTION PRIOR TO MATURITY

Bonds, or portions of bonds maturing on or after May 1, 2014, are subject to redemption at the option of the issuer in multiples of \$5,000 in such order as the issuer may determine, by lot within any maturity, on any interest payment date occurring on or after May 1, 2013, at par and accrued interest to the date fixed for redemption.

WHITE CLOUD PUBLIC SCHOOLS
WHITE CLOUD, MICHIGAN

2005 ENERGY CONSERVATION BONDS
JUNE 30, 2008

| | |
|--|--|
| <u>TITLE OF ISSUE</u> | 2005 Energy Conservation Improvement Bonds |
| <u>PURPOSE</u> | For paying the cost of certain energy conservation projects for the facilities and the costs related to the issuance of the bonds. |
| <u>DATE OF ISSUE</u> | March 1, 2005 |
| <u>INTEREST PAYABLE</u> | May 1, and November 1, of each year |
| <u>AMOUNT OF ISSUE</u> | \$ 400,000 |
| <u>AMOUNT REDEEMED</u> | |
| Current Year | \$ 80,000 |
| Prior Years | 150,000 |
| | <u>230,000</u> |
| <u>BALANCE OUTSTANDING - June 30, 2008</u> | <u>\$ 170,000</u> |

| <u>DUE DATES</u> | <u>INTEREST RATES</u> | <u>REQUIREMENTS</u> | | |
|------------------|---------------------------|---------------------|-----------------|-------------------|
| | | <u>PRINCIPAL</u> | <u>INTEREST</u> | <u>TOTAL</u> |
| November 12008 | | | \$ 2,890 | \$ 2,890 |
| May 1 2009 | 3.300% | \$ 85,000 | 2,890 | 87,890 |
| November 12009 | | | 1,488 | 1,488 |
| May 1 2010 | 3.500% | 85,000 | 1,487 | 86,487 |
| | | <u>\$ 170,000</u> | <u>\$ 8,755</u> | <u>\$ 178,755</u> |

| | |
|-------------------------------------|--|
| <u>DENOMINATION</u> | \$5,000 each, or any integral multiple thereof not exceeding the aggregate principal amount for each maturity. |
| <u>REDEMPTION PRIOR TO MATURITY</u> | Bonds of this issue are not subject to redemption prior to maturity. |

WHITE CLOUD PUBLIC SCHOOLS
WHITE CLOUD, MICHIGAN

2005 REFUNDING BONDS
JUNE 30, 2008

| | |
|--|--|
| <u>TITLE OF ISSUE</u> | 2005 Refunding Bonds |
| <u>PURPOSE</u> | To refund a portion of a prior bond issue of the School District and the costs of issuing the bonds. |
| <u>DATE OF ISSUE</u> | July 6, 2005 |
| <u>INTEREST PAYABLE</u> | May 1, and November 1, of each year |
| <u>AMOUNT OF ISSUE</u> | \$ 7,190,000 |
| <u>AMOUNT REDEEMED</u> | |
| Current Year | \$ 30,000 |
| Prior Years | 60,000 |
| | 90,000 |
| <u>BALANCE OUTSTANDING - June 30, 2008</u> | \$ 7,100,000 |

| <u>DUE DATES</u> | | <u>INTEREST RATES</u> | <u>REQUIREMENTS</u> | | |
|------------------|------|---------------------------|---------------------|-----------------|--------------|
| | | | <u>PRINCIPAL</u> | <u>INTEREST</u> | <u>TOTAL</u> |
| November 1 | 2008 | | | \$ 150,524 | \$ 150,524 |
| May 1 | 2009 | 3.500% | \$ 35,000 | 150,524 | 185,524 |
| November 1 | 2009 | | | 149,911 | 149,911 |
| May 1 | 2010 | 3.500% | 35,000 | 149,912 | 184,912 |
| November 1 | 2010 | | | 149,299 | 149,299 |
| May 1 | 2011 | 3.500% | 35,000 | 149,299 | 184,299 |
| November 1 | 2011 | | | 148,686 | 148,686 |
| May 1 | 2012 | 5.000% | 385,000 | 148,687 | 533,687 |
| November 1 | 2012 | | | 139,062 | 139,062 |
| May 1 | 2013 | 5.000% | 390,000 | 139,062 | 529,062 |
| November 1 | 2013 | | | 129,312 | 129,312 |
| May 1 | 2014 | 5.000% | 390,000 | 129,312 | 519,312 |
| November 1 | 2014 | | | 119,562 | 119,562 |
| May 1 | 2015 | 5.000% | 440,000 | 119,562 | 559,562 |
| November 1 | 2015 | | | 108,562 | 108,562 |
| May 1 | 2016 | 4.000% | 500,000 | 108,562 | 608,562 |
| November 1 | 2016 | | | 98,562 | 98,562 |
| May 1 | 2017 | 4.000% | 505,000 | 98,562 | 603,562 |
| November 1 | 2017 | | | 88,462 | 88,462 |

WHITE CLOUD PUBLIC SCHOOLS

WHITE CLOUD, MICHIGAN

2005 REFUNDING BONDS

JUNE 30, 2008

| <u>DUE DATES</u> | | INTEREST | REQUIREMENTS | | |
|------------------|------|----------|--------------------|--------------------|----------------------|
| | | RATES | PRINCIPAL | INTEREST | TOTAL |
| May 1 | 2018 | 3.900% | 500,000 | 88,462 | 588,462 |
| November 1 | 2018 | | | 78,712 | 78,712 |
| May 1 | 2019 | 3.900% | 500,000 | 78,712 | 578,712 |
| November 1 | 2019 | | | 68,962 | 68,962 |
| May 1 | 2020 | 4.000% | 495,000 | 68,962 | 563,962 |
| November 1 | 2020 | | | 59,062 | 59,062 |
| May 1 | 2021 | 4.000% | 490,000 | 59,062 | 549,062 |
| November 1 | 2021 | | | 49,262 | 49,262 |
| May 1 | 2022 | 4.000% | 485,000 | 49,262 | 534,262 |
| November 1 | 2022 | | | 39,562 | 39,562 |
| May 1 | 2023 | 4.000% | 480,000 | 39,562 | 519,562 |
| November 1 | 2023 | | | 29,962 | 29,962 |
| May 1 | 2024 | 4.125% | 475,000 | 29,962 | 504,962 |
| November 1 | 2024 | | | 20,165 | 20,165 |
| May 1 | 2025 | 4.150% | 470,000 | 20,165 | 490,165 |
| November 1 | 2025 | | | 10,413 | 10,413 |
| May 1 | 2026 | 4.250% | 490,000 | 10,413 | 500,413 |
| | | | <u>\$7,100,000</u> | <u>\$3,276,086</u> | <u>\$ 10,376,086</u> |

DENOMINATION

\$5,000 each, or any integral multiple thereof not exceeding the aggregate principal amount for each maturity.

REDEMPTION PRIOR TO MATURITY

Bonds, or portions of bonds maturing on or after May 1, 2014, are subject to redemption at the option of the issuer in multiples of \$5,000 in such order as the issuer may determine, by lot within any maturity, on any interest payment date occurring on or after May 1, 2013, at par and accrued interest to the date fixed for redemption.

WHITE CLOUD PUBLIC SCHOOLS
WHITE CLOUD, MICHIGAN

2006 REFUNDING BONDS
JUNE 30, 2008

| | |
|--|--|
| <u>TITLE OF ISSUE</u> | 2006 Refunding Bonds |
| <u>PURPOSE</u> | To refund a portion of a prior bond issue of the School District and the costs of issuing the bonds. |
| <u>DATE OF ISSUE</u> | October 10, 2006 |
| <u>INTEREST PAYABLE</u> | May 1, and November 1, of each year |
| <u>AMOUNT OF ISSUE</u> | \$ 2,675,000 |
| <u>AMOUNT REDEEMED</u> | |
| Current Year | \$ 5,000 |
| Prior Years | 0 |
| | 5,000 |
| <u>BALANCE OUTSTANDING - June 30, 2008</u> | \$ 2,670,000 |

| <u>DUE DATES</u> | | INTEREST RATES | PRINCIPAL | INTEREST | TOTAL |
|------------------|------|-------------------|-----------|-----------|-----------|
| November 1 | 2008 | | | \$ 55,483 | \$ 55,483 |
| May 1 | 2009 | 4.000% | \$ 5,000 | 55,483 | 60,483 |
| November 1 | 2009 | | | 55,383 | 55,383 |
| May 1 | 2010 | 4.000% | 5,000 | 55,383 | 60,383 |
| November 1 | 2010 | | | 55,283 | 55,283 |
| May 1 | 2011 | 4.000% | 5,000 | 55,283 | 60,283 |
| November 1 | 2011 | | | 55,183 | 55,183 |
| May 1 | 2012 | 4.000% | 5,000 | 55,183 | 60,183 |
| November 1 | 2012 | | | 55,083 | 55,083 |
| May 1 | 2013 | 4.000% | 10,000 | 55,083 | 65,083 |
| November 1 | 2013 | | | 54,883 | 54,883 |
| May 1 | 2014 | 4.000% | 10,000 | 54,883 | 64,883 |
| November 1 | 2014 | | | 54,683 | 54,683 |
| May 1 | 2015 | 4.000% | 10,000 | 54,683 | 64,683 |
| November 1 | 2015 | | | 54,483 | 54,483 |
| May 1 | 2016 | 4.000% | 10,000 | 54,483 | 64,483 |
| November 1 | 2016 | | | 54,283 | 54,283 |
| May 1 | 2017 | 4.000% | 10,000 | 54,283 | 64,283 |
| November 1 | 2017 | | | 54,083 | 54,083 |

WHITE CLOUD PUBLIC SCHOOLS
WHITE CLOUD, MICHIGAN

2006 REFUNDING BONDS
JUNE 30, 2008

| <u>DUE DATES</u> | | INTEREST RATES | PRINCIPAL | INTEREST | TOTAL |
|------------------|------|-------------------|--------------|--------------|--------------|
| May 1 | 2018 | 4.000% | 10,000 | 54,083 | 64,083 |
| November 1 | 2018 | | | 53,883 | 53,883 |
| May 1 | 2019 | 4.000% | 10,000 | 53,883 | 63,883 |
| November 1 | 2019 | | | 53,683 | 53,683 |
| May 1 | 2020 | 4.000% | 10,000 | 53,683 | 63,683 |
| November 1 | 2020 | | | 53,483 | 53,483 |
| May 1 | 2021 | 4.000% | 10,000 | 53,483 | 63,483 |
| November 1 | 2021 | | | 53,283 | 53,283 |
| May 1 | 2022 | 4.100% | 10,000 | 53,283 | 63,283 |
| November 1 | 2022 | | | 53,078 | 53,078 |
| May 1 | 2023 | 4.100% | 10,000 | 53,078 | 63,078 |
| November 1 | 2023 | | | 52,873 | 52,873 |
| May 1 | 2024 | 4.100% | 10,000 | 52,873 | 62,873 |
| November 1 | 2024 | | | 52,668 | 52,668 |
| May 1 | 2025 | 4.100% | 15,000 | 52,668 | 67,668 |
| November 1 | 2025 | | | 52,361 | 52,361 |
| May 1 | 2026 | 4.100% | 15,000 | 52,361 | 67,361 |
| November 1 | 2026 | | | 52,053 | 52,053 |
| May 1 | 2027 | 4.100% | 510,000 | 52,053 | 562,053 |
| November 1 | 2027 | | | 41,598 | 41,598 |
| May 1 | 2028 | 4.125% | 505,000 | 41,598 | 546,598 |
| November 1 | 2028 | | | 31,182 | 31,182 |
| May 1 | 2029 | 4.150% | 500,000 | 31,183 | 531,183 |
| November 1 | 2029 | | | 20,807 | 20,807 |
| May 1 | 2030 | 4.200% | 495,000 | 20,808 | 515,808 |
| November 1 | 2030 | | | 10,412 | 10,412 |
| May 1 | 2031 | 4.250% | 490,000 | 10,413 | 500,413 |
| | | | \$ 2,670,000 | \$ 2,260,391 | \$ 4,930,391 |

DENOMINATION

\$5,000 each, or any integral multiple thereof not exceeding the aggregate principal amount for each maturity.

REDEMPTION PRIOR TO MATURITY

See bond document.

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601
PHONE: 231-775-9789 FAX: 231-775-9749
www.bcbcpa.com

July 24, 2008

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

Board of Education
White Cloud Public Schools
White Cloud, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of White Cloud Public Schools for the year ended June 30, 2008, and has issued our report thereon dated July 24, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibilities under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated June 13, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of White Cloud Public Schools. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of White Cloud Public School's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by White Cloud Public Schools are described in Note I to the financial statements. No new

accounting policies were adopted and the application of existing policies was not changed during 2007-08. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. No material misstatements were noted.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated July 24, 2008.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

During the course of our audit of the basic financial statements of White Cloud Public Schools for the year ended June 30, 2008, we noted the following list of items which we feel deserve comment:

Upper Elementary Internal Accounts

The ledger provided for audit did not balance to the reconciled bank account. We recommend that the ledger be balanced to the reconciled bank account each month, and that someone independent of the recordkeeping process review the bank reconciliation monthly.

Limited Internal Controls Over Decentralized Cash Collections

Management is responsible for establishing and maintaining internal controls over cash for the District.

At many school districts, internal controls over decentralized cash collections present a challenge for management. The District currently has limited controls in place related to decentralized cash collections.

This condition was caused by limited personnel involved in the process.

The effect of this condition is that an environment is created in which the potential exists for cash collections to not be deposited into the District's bank accounts and go undetected in the financial recordkeeping process.

The District is aware of this limitation, and is in the process of evaluating and implementing new controls to correct or mitigate this situation in the future.

This communication is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.